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SUBJECT: COMMERCE SECRETARY GUTIERREZ MEETS WITH CENTAM  
PRESIDENTS ON CAFTA-DR

1. (U) Summary: On October 20, Secretary of Commerce Carlos Gutierrez met with Presidents Saca (El Salvador), Bolanos (Nicaragua), Berger (Guatemala), and Maduro (Honduras) to review CAFTA-DR implementation. The Secretary expressed the USG's full commitment to CAFTA as a model for political and economic development and growth, and asked the presidents to do everything in their power to comply with the CAFTA-DR commitments so that President Bush could certify to Congress that the signatories have met all the legislative and administrative requirements. Gutierrez emphasized that the goal is for CAFTA-DR to be in effect by January 1, 2006. Gutierrez also emphasized the need to create an attractive climate for international investors by improving legal frameworks for investors and protecting intellectual property. Presidents Saca and Bolanos pledged to be in CAFTA-DR compliance by January 1, 2006. End Summary.

2. (U) On October 20, Commerce Secretary Carlos Gutierrez held a one and one-half hour meeting in San Salvador with Presidents Saca (El Salvador), Bolanos (Nicaragua), Berger (Guatemala), and Maduro (Honduras) to review preparations for the proposed January 1, 2006 CAFTA-DR implementation. Presidents Pacheco (Costa Rica) and Fernandez (Dominican Republic) did not attend the meeting, but were represented by their Foreign Ministers. The meeting, hosted by President Saca, was held during Secretary Gutierrez' two day visit to El Salvador. The U.S. delegation at the meeting included the administrator of the Small Business Administration (SBA), the chairman of OPIC, the U.S. Director at the Inter-American Development Bank (IDB), and the TDA director. President Saca opened discussions by characterizing CAFTA-DR as "a privileged relationship" between the Latin American signatories and the United States, and added that this relationship contributed greatly to the stability of the region. Saca said that CAFTA-DR is a model for economic growth, sustainable development, and democratization. However, CAFTA-DR also presents major challenges to each of the countries as they address the changes that the agreement will bring. Saca emphasized that each of the signatories present must make a commitment to implement all needed changes, including legislation, to be eligible by January 1, 2006.

3. (U) President Bolanos, who presided the meeting in his role as rotating head of the Central American Integration System (SICA), began by thanking all his Central American neighbors for their support in preventing the loss of democratic, constitutional order in Nicaragua, and emphasized that SICA played a vital role in support of his government. Bolanos further announced that, On October 19, the Nicaraguan National Assembly passed legislation suspending, through 2007, constitutional reforms which would have undermined Nicaraguan democracy. Bolanos affirmed that all the Central American countries are undertaking substantial reforms in each country, and are working together "as brothers." Through CAFTA-DR, Bolanos continued, we hope to become an important export platform to reach the large U.S. market, and also a region which attracts substantial investment capital. Our adherence to CAFTA-DR will allow us to better insert ourselves in the global economy. Bolanos averred that the Central American countries are moving apace to establish a regional customs union, are making progress in improving workers' rights, but still have a ways to go to improve the judicial sector. Bolanos said he was especially concerned over weaknesses in rule of law and the judicial system, especially in Nicaragua. He noted his concern about the high cost of oil, and will be hosting a Central American Conference on energy October 28. Bolanos closed by stating that, now that the Nicaraguan National Assembly finally passed CAFTA-DR, Nicaragua must move fast to pass accompanying legislation before January 1. Bolanos then assured the group that Nicaragua would meet all conditions so that President Bush could certify compliance before January 1, 2006.

4. (U) President Maduro added that all his Central American counterparts had felt threatened by the domestic political threats in Nicaragua against President Bolanos, recognized how vigorously and valiantly Bolanos had responded to those threats, and asked for a round of applause for Bolanos from the delegations. President Berger opined that, in this "great project," there cannot be losers among sectors, and that we must think creatively of ways to support the medium and small businesses (PYMES) as well as the agricultural

sector.

15. (U) Secretary Gutierrez thanked President Saca for hosting the meeting and the presidents for traveling from their countries, and explained that his delegation included not only public sector officials, but key business people. He added that 19 company executives were part of the delegation, and that all were ready to do business, invest, and look for long-term business partnerships. We feel passionately that CAFTA-DR will help strengthen democracy and lead to economic development and job creation. This endeavor, however, requires continuity, because it is a project whose impact will be felt in five, ten, fifteen years, and beyond. Gutierrez opined that Central America has the opportunity to lead the way for all other countries in the hemisphere, and the Central American countries are assuming a real leadership role. However, Gutierrez added, to be able to start on January 1, 2006, President Bush has to certify that the accords reached through CAFTA have been complied with by each of the signatories. In that regard, Gutierrez asked that each country do its utmost between now and December to comply with pending items that will allow President Bush to certify. Secretary Gutierrez then asked the directors of the EX-IM Bank, U.S. Trade and Development Agency, Small Business Administration, and OPIC, and the U.S. Executive Director at IDB to make presentations about the roles of each of their organizations in promoting CAFTA-DR goals and objectives. Each official reiterated that CAFTA-DR was a top priority for each of their agencies, and provided concrete examples of projects being financed in CAFTA-DR countries. Secretary Gutierrez promised to follow-up with a detailed written presentation from each agency to the presidents. Gutierrez stressed three key points: (1) we need to walk the fine line between safe and secure borders without impeding the free flow of trade. In that regard, he cited his visit the day before to Puerto Cortez, Honduras, which he called a model for effectively maintaining this fine balance; (2) the unification of customs processes must be accomplished and is a key mutual agenda item; (3), and each of the CAFTA-DR signatories must create the right conditions to attract investors. Investors, he added, are very concerned over lack of clarity in the legal system and their ability to protect their investments, and are especially concerned about intellectual property rights protection. Investor confidence, he continued, is a worldwide problem, and, if the CAFTA signatories created the right investment climate, their countries could attract investors from other geographic regions. The Secretary concluded by asking each of the presidents to do everything possible to help President Bush be able to certify CAFTA-DR before Congress. Presidents Saca and Bolanos stated that their countries would meet all necessary conditions for certification before January 1, 2006.

16. (U) This message was cleared by Secretary Gutierrez's delegation prior to departure.  
Barclay